

ORIGINAL

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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MAILING ONLINE SERVICE

Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PLUNKETT TO INTERROGATORY OF
DOUGLAS F. CARLSON
(DFC/USPS-T5-1)

The United States Postal Service hereby provides the response of witness Plunkett to the following interrogatory of Douglas F. Carlson: DFC/USPS-T5-1, filed on August 5, 1998. Interrogatory DFC/USPS-T5-2 was redirected to witness Garvey.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

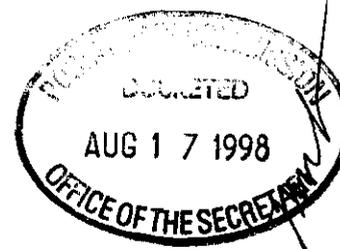
UNITED STATES POSTAL SERVICE

By its attorneys:

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August 17, 1998



**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES
OF DOUGLAS F. CARLSON**

DFC/USPS-T5-1.

Please refer to your testimony at page 3, lines 14–17. Suppose a customer who lives in a “high-cost area” is using Mailing Online to send documents to a “low-cost area.” Suppose, further, that a Mailing Online printing contractor is located near this “low-cost area,” and this printing contractor experiences costs that are lower than the costs that the printers in this mailer’s local, “high-cost area” experience and incorporate into their prices.

a. Please explain why the Postal Service’s proposed pricing system would be any less “unfairly detrimental to existing providers of comparable services” in this example than a pricing system where prices were based on the higher average national costs.

b. Please confirm that the Postal Service’s proposed pricing system may, in this example, be *more* “unfairly detrimental to existing providers of comparable services” than a pricing system where prices were based on average national costs would be, since this mailer will face a lower price using this proposed pricing system than he would if the Postal Service used national average costs.

DFC/USPS-T5-1 Response.

a-b. Your hypothetical example posits a specific set of circumstances, whereas the pricing system proposed for Mailing Online is intended to be generally applicable. In general, for the reasons outlined in my testimony, the proposed markup is the best way to ensure that the prices charged for Mailing Online will be comparable to those charged by other printers. The expectation is that customers of Mailing Online will operate in markets that are primarily local. Given the testimony of witnesses Wilcox and Campanelli, this appears to be a reasonable assumption. As a result, the “existing providers of comparable services” are likely to be in the same area as the Mailing Online printer. Your hypothetical example, on the other hand, appears to present a customer who mails predominantly to recipients geographically distant from the hypothetical customer’s location. To the extent that such customers exist, it seems unlikely that they would comprise a large number of customers. While I would confirm

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part (b) if those unusual circumstances were considered in isolation, I would note that use of an average national price would also generate examples of lower Mailing Online fees. For those examples, any detriment to existing providers would tend to be greater when an average national price is used.

I would also point out that, if discrepancies between average Postal Service prices and the prices of other providers were sufficiently large, the use of a national average may create other anomalies. For instance, because customers will be purchasing Mailing Online service through the Postal Service, the printing charges are effectively invisible to these customers. Thus, if an average price were used, printers who are considering bidding to provide services for Mailing Online would have less ability to send correct price signals to the users of the service. Moreover, if the Postal Service were to charge average prices in a low cost area, Mailing Online prices would likely be unattractive. Astute printers will recognize this incongruity and some may be reluctant to enter into agreements with the Postal Service, thus preventing the Postal Service and its customers from benefitting fully from competitive bidding. In the long term, moreover, an average price could shift volume predominantly into high cost areas where the Postal Service would have relatively low prices (at least until average costs adjust upward). The result of an average price would therefore be a service viable only in high cost areas. If, as is indicated by the testimony of witnesses Wilcox and Campanelli, Mailing Online customers tend to be small mailers with local customer bases, then customers of this type in low cost areas could effectively be denied access to the full range of benefits Mailing Online is designed to provide.

DECLARATION

I, Michael K. Plunkett, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

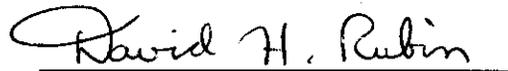


MICHAEL K. PLUNKETT

Dated: August 17, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in cursive script that reads "David H. Rubin". The signature is written in black ink and is positioned above a horizontal line.

David H. Rubin

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